

109TH CONGRESS  
1ST SESSION

# S. 697

To amend the Higher Education Act of 1965 to improve higher education,  
and for other purposes.

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IN THE SENATE OF THE UNITED STATES

APRIL 5, 2005

Mr. OBAMA (for himself and Mr. INOUE) introduced the following bill; which  
was read twice and referred to the Committee on Health, Education,  
Labor, and Pensions

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## A BILL

To amend the Higher Education Act of 1965 to improve  
higher education, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Higher Education Op-  
5       portunity Through Pell Grant Expansion Act”.

6       **SEC. 2. SENSE OF THE SENATE.**

7       (a) FINDINGS.—The Senate makes the following  
8       findings:

1           (1) Federal Pell Grants are need-based and are  
2       used by 5,300,000 undergraduate students to fund  
3       their college educations.

4           (2) Over 90 percent of Federal Pell Grant re-  
5       cipients come from a family with a combined income  
6       of less than \$40,000.

7           (3) Because of the rising cost of college tuition,  
8       the maximum Federal Pell Grant amount of \$4,050  
9       for academic year 2004–2005 is \$700 less in real  
10      terms than the maximum Federal Pell Grant  
11      amount for academic year 1975–1976.

12          (4) Federal Pell Grants for academic year  
13      2003–2004 cover only 23 percent of the total cost  
14      of the average 4-year public college.

15      (b) SENSE OF THE SENATE.—It is the sense of the  
16      Senate that—

17          (1) eligible undergraduate students should re-  
18      ceive the maximum Federal Pell Grant amount es-  
19      tablished by the amendment made by section 3(b) of  
20      this Act; and

21          (2) sufficient funds should be appropriated to  
22      allow the awarding of the maximum Federal Pell  
23      Grant amount for which students are eligible pursu-  
24      ant to the amendment made by section 3(b) of this  
25      Act.

1 **SEC. 3. FEDERAL PELL GRANTS.**

2 (a) APPROPRIATION OF FUNDS FOR FEDERAL PELL  
3 GRANTS.—In addition to any amounts otherwise appro-  
4 priated to carry out subpart 1 of part A of title IV of  
5 the Higher Education Act of 1965 (20 U.S.C. 1070a) for  
6 the fiscal year ending September 30, 2006, there are au-  
7 thorized to be appropriated and there are appropriated,  
8 out of any money in the Treasury not otherwise appro-  
9 priated for the fiscal year ending September 30, 2006, for  
10 carrying out such subpart 1, an additional  
11 \$2,000,000,000.

12 (b) AUTHORIZATION AMOUNT AND MAXIMUM FED-  
13 ERAL PELL GRANT.—Section 401(b)(2)(A) of the Higher  
14 Education Act of 1965 (20 U.S.C. 1070a(b)(2)(A)) is  
15 amended to read as follows:

16 “(2)(A)(i) The amount of a Federal Pell Grant for  
17 a student eligible under this part shall be \$5,100 for aca-  
18 demic year 2005–2006, less an amount equal to the  
19 amount determined to be the expected family contribution  
20 with respect to that student for that year.

21 “(ii) The Secretary shall cumulatively adjust the  
22 amount in clause (i) every 2 academic years beginning  
23 with academic year 2006–2007 to account for any per-  
24 centage increase in the Consumer Price Index for All  
25 Urban Consumers published by the Bureau of Labor Sta-  
26 tistics of the Department of Labor.”.

1 **SEC. 4. ALLOWANCE FOR STATE AND OTHER TAXES.**

2       Notwithstanding any other provision of law, the an-  
 3 nual updates to the allowance for State and other taxes  
 4 in the tables used in the Federal Needs Analysis Method-  
 5 ology to determine a student's expected family contribu-  
 6 tion for the award year 2005–2006 under part F of title  
 7 IV of the Higher Education Act of 1965 (20 U.S.C.  
 8 1087kk et seq.), published in the Federal Register on  
 9 Thursday, December 23, 2004 (69 Fed. Reg. 76926),  
 10 shall not apply to a student to the extent the updates will  
 11 increase the student's expected family contribution under  
 12 such part F.

13 **SEC. 5. TERMINATION OF EXCESSIVE ALLOWANCES.**

14       Section 438(b)(2)(B) of the Higher Education Act of  
 15 1965 (20 U.S.C. 1087–1(b)(2)(B)) is amended by striking  
 16 clause (v) and inserting the following:

17                   “(v) This subparagraph shall not  
 18                   apply to—

19                   “(I) any loan made or purchased  
 20                   after the date of enactment of the  
 21                   Higher Education Opportunity  
 22                   Through Pell Grant Expansion Act;

23                   “(II) any loan that had not quali-  
 24                   fied before such date of enactment for  
 25                   receipt of a special allowance payment

1 determined under this subparagraph;  
 2 or

3 “(III) any loan made or pur-  
 4 chased before such date of enactment  
 5 with funds described in the first or  
 6 second sentence of clause (i) if—

7 “(aa) the obligation de-  
 8 scribed in the first such sentence  
 9 has, after such date of enact-  
 10 ment, matured, or been retired or  
 11 defeased; or

12 “(bb) the maturity date or  
 13 the date of retirement of the obli-  
 14 gation described in the first such  
 15 sentence has, after such date of  
 16 enactment, been extended.”.

17 **SEC. 6. WINDFALL PROFIT OFFSET.**

18 Section 438 of the Higher Education Act of 1965 (20  
 19 U.S.C. 1087–1) is further amended by adding at the end  
 20 the following:

21 “(g) WINDFALL PROFIT OFFSET.—At the end of  
 22 every fiscal quarter for which an eligible lender does not  
 23 receive a special allowance payment under this section, the  
 24 eligible lender shall pay to the Secretary of the Treasury  
 25 for deposit into the Treasury as miscellaneous receipts a

1 windfall profit offset payment for the fiscal quarter equal  
2 to the amount by which—

3           “(1) the aggregate amount of all payments of  
4       interest received by the eligible lender from bor-  
5       rowers on all loans made, insured, or guaranteed  
6       under this part during the fiscal quarter; exceeds

7           “(2) interest guaranteed the lender under this  
8       section for the fiscal quarter, irrespective of the  
9       amount received under subparagraph (A).”.

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